

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Skandia, Michigan	County Marquette
Fiscal Year End 3/31/07	Opinion Date 9/18/07	Date Audit Report Submitted to State 09/27/07	

We affirm that:

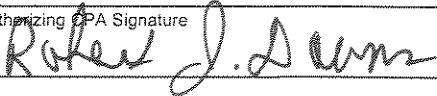
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman, & Company, P.L.C.		Telephone Number (906) 225-1166	
Street Address 102 W. Washington St., Ste 109		City Marquette	State MI
Zip 49855			
Authorizing CPA Signature 	Printed Name ROBERT J. DOWNS	License Number 10993	

TOWNSHIP OF SKANDIA, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended March 31, 2007

TABLE OF CONTENTS

Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Statement of Net Assets	11
Statement of Activities	12
Governmental Funds – Balance Sheet	13
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets	14
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balance	15
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	16
Fiduciary Funds – Statement of Net Assets	17
Notes to Financial Statements	18

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

General Fund – Budgetary Comparison Schedule	30
Road Fund – Budgetary Comparison Schedule	31
Fire Fund – Budgetary Comparison Schedule	32

OTHER SUPPLEMENTAL INFORMATION

Major Governmental Funds – General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	34
Major Governmental Funds – Road Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	38
Major Government Funds – Fire Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	39
Non-major Government Funds – First Responders Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	40
Fiduciary Funds – Combining Statement of Net Assets	41

COMPLIANCE SUPPLEMENTS

Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43
Report to Management Letter	45



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Supervisor and Members of
the Township Board of Trustees
Township of Skandia, Michigan
PO BOX 48
Skandia, Michigan 49885

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of the Township of Skandia, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township of Skandia, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Skandia, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Skandia, Michigan as of March 31, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2007, on our consideration of the Township of Skandia, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Supervisor and Members of
The Township Board of Trustees
Township of Skandia, Michigan
Skandia, Michigan 49885

The Management's Discussion and Analysis, and budgetary comparison information on pages 5 through 10 and 30 through 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Skandia, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Jackman & Company, PLLC
Certified Public Accountants

September 18, 2007

TOWNSHIP OF SKANDIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of Skandia, Michigan's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2007. Please read it in conjunction with the financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- Net assets for the Township as a whole decreased by \$52,205 or 10 percent as a result of this year's operations.
- During the year, the Township had expenses for governmental activities that were \$288,677 and revenues of \$236,472.
- The General Fund reported a net fund balance of \$263,913. Net change in fund balance was \$40,182 higher than the forecasted decrease of \$14,066.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 7. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or financial position. Over time, increases or decreases in the

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the overall financial health of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township has no Business-Type Activities.

Reporting the Township's Most Significant Funds

Our analysis of the Township of Skandia, Michigan's major funds begins on page 9. The fund financial statements begin on page 13 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township of Skandia, Michigan's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- **Governmental funds** – Most of the Township of Skandia, Michigan's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township of Skandia, Michigan's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- **Proprietary funds** – When the Township of Skandia, Michigan charges customers for the services it provides – whether to outside customers – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township of Skandia, Michigan's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The Township of Skandia, Michigan does not have any proprietary funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Township as Trustee

The Township of Skandia, Michigan is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 17. We exclude these activities from the other financial statements because the Township of Skandia, Michigan cannot use these assets to finance its operations.

The Township of Skandia, Michigan is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township as a Whole

Table I provides a summary of the Township's net assets as of March 31, 2007

Table I Net Assets		
	Governmental Activities – 2007	Total Primary Government – 2007
Current and other assets	\$423,572	\$423,572
Non-current assets	120,341	120,341
Total Assets	543,913	543,913
Current liabilities	45,627	45,627
Non-current liabilities	46,274	46,274
Total Liabilities	91,901	91,901
Net Assets:		
Invested in capital assets, net of related debt	120,341	120,341
Restricted	-	-
Unrestricted (deficit)	331,671	331,671
Total Net Assets	\$452,012	\$452,012

Net assets of the Township of Skandia, Michigan's governmental activities stood at \$452,012. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$331,671.

The \$331,671 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township of Skandia, Michigan as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2
Change in Net Assets

	Governmental Activities – 2007	Total Primary Government – 2007
Revenues:		
Program Revenues:		
Charges for services	\$20,762	\$20,762
Operating Grants	4,755	4,755
Capital Grants	4,500	4,500
General Revenues:		
Property taxes	91,135	91,135
State Sources	71,579	71,579
Interest	19,539	19,539
Miscellaneous	24,202	24,202
Total Revenues	<u>236,472</u>	<u>236,472</u>
Program Expenses:		
Legislative	25,215	25,215
General Services and Administration	57,258	57,258
Public Safety	17,937	17,937
Public Works	127,072	127,072
Health and Welfare	14,819	14,819
Community & Economic Dev.	4,703	4,703
Recreation and Culture	-	-
Other	41,673	41,673
Total Expenses	<u>288,677</u>	<u>288,677</u>
Excess (deficiency) before transfers	(52,205)	(52,205)
Transfers	-	-
Increase (decrease) in net assets	(52,205)	(52,205)
Net assets, beginning	504,217	504,217
Net Assets, Ending	<u>\$452,012</u>	<u>\$452,012</u>

The Township of Skandia, Michigan's total revenues were \$236,472. The total cost of all programs and services was \$288,677, leaving a decrease in net assets of \$52,205. Our analysis below separately considers the operations of governmental activities:

Governmental Activities

The net assets of the Township of Skandia, Michigan's governmental activities decreased \$52,205 for the year ended March 31, 2007.

The Net Loss was made up from \$31,268 in from Governmental Funds Net Income, depreciation expense of \$7,812, capital outlay of \$4,500, reclassification of principal of \$43,228 and borrowing of \$123,389.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

THE TOWNSHIP'S FUNDS

As the Township of Skandia, Michigan completed the year, its governmental funds (as presented in the balance sheet on page 13 reported a *combined* fund balance of \$421,322 which is an increase of \$31,268 from the beginning of the year.

The increase of \$31,268 in fund balance from the beginning of the year was due to \$10,000 Contingency Fund that we did not use and other expenses and revenues totaled a of surplus of \$21,268.

General Fund Budgetary Highlights

Over the course of the year, the Township of Skandia, Michigan Board revised the budget a few times.

Amendments resulted in a net decrease of \$7,531.

With these adjustments, actual charges to expenditures were \$11,271 less than the final amended budget. Conversely, revenues were \$28,911 more than the final budget projection.

We watched our budget closely not to over spend which gave us a surplus amount of \$40,182 more than we budgeted for. We did not have to use any money from our contingency fund which was a savings of \$10,000 and all other expenses total \$5,621.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the Township of Skandia, Michigan had \$120,341 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3 Capital Assets at Year-End (Net of Depreciation)		
	Governmental Activities - 2007	Total Primary Government - 2007
Land	\$1,000	\$1,000
Land improvements		
Buildings and improvements	115,741	115,741
Equipment and furnishings	3,600	3,600
	<u>\$120,341</u>	<u>\$120,341</u>

The Township of Skandia, Michigan had no additions or deletions in fixed assets in the current year. Depreciation expense for the year was \$7,812.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At end of the fiscal year, the Township of Skandia, Michigan had \$89,651 in outstanding debt as depicted in Table 4 below.

Table 4 Outstanding Debt at Year-End		
	Governmental Activities – 2007	Total Primary Government – 2007
Road Contract Payable	\$82,260	\$82,260
Landfill Bond	7,391	7,391
Total	\$89,651	\$89,651

The Township of Skandia, Michigan had new debt of \$123,389 in the current year and made principal payments of \$43,228.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township of Skandia, Michigan's budget for the year ending March 31, 2008

We looked at the past year's budget vs. actual and did our budget for 2008 with some minor adjustments.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township of Skandia, Michigan's finances and to show the township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township of Skandia, PO BOX 48, Skandia, and MI 49885.

Township of Skandia, Michigan

STATEMENT OF NET ASSETS

March 31, 2007

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 389,644
Receivables (net)	<u>33,928</u>
TOTAL CURRENT ASSETS	<u>423,572</u>
Non-current assets:	
Capital Assets	
Capital assets being depreciated	<u>120,341</u>
Total Capital Assets	<u>120,341</u>
TOTAL NON-CURRENT ASSETS	<u>120,341</u>
TOTAL ASSETS	<u>543,913</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	-
Accrued liabilities	<u>2,250</u>
Current portion of bonds payable	<u>43,377</u>
TOTAL CURRENT LIABILITIES	<u>45,627</u>
Non-current Liabilities:	
Bonds payable	<u>46,274</u>
TOTAL NON-CURRENT LIABILITIES	<u>46,274</u>
TOTAL LIABILITIES	<u>91,901</u>
NET ASSETS	
Invested in capital assets net of related debt	120,341
Unrestricted	<u>331,671</u>
TOTAL NET ASSETS	<u>\$ 452,012</u>

The accompanying notes are an integral part of these financial statements.

Township of Skandia, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended March 31, 2007

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
Legislative	\$ 25,215	\$ -	\$ -	\$ -	(25,215)
General services and administration	57,258	986	4,755	4,500	(47,017)
Public safety	17,937	-	-	-	(17,937)
Public works	127,072	19,776	-	-	(107,296)
Health and Welfare	14,819	-	-	-	(14,819)
Community and economic development	4,703	-	-	-	(4,703)
Recreation and culture	-	-	-	-	-
Other	41,673	-	-	-	(41,673)
Total Governmental Activities	288,677	20,762	4,755	4,500	(258,660)
TOTAL PRIMARY GOVERNMENT	\$ 288,677	\$ 20,762	\$ 4,755	\$ 4,500	(258,660)
General Revenues:					
Taxes					91,135
Unrestricted State sources					71,579
Interest and investment earnings					19,539
Miscellaneous					24,202
Transfers					-
TOTAL GENERAL REVENUES AND TRANSFERS					206,455
CHANGE IN NET ASSETS					(52,205)
Net assets, beginning of year					504,217
NET ASSETS, END OF YEAR					\$ 452,012

The accompanying notes are an integral part of these financial statements.

Township of Skandia, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2007

	General Fund	Road Fund	Fire Fund	Non-Major First Responders Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 241,310	\$ 91,346	\$ 44,452	\$ 12,536	\$ 389,644
Receivables	16,653	-	-	-	16,653
Taxes receivable	5,092	2,347	4,159	1,782	13,380
Due from other funds	3,108	-	551	236	3,895
TOTAL ASSETS	<u>266,163</u>	<u>93,693</u>	<u>49,162</u>	<u>14,554</u>	<u>423,572</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	-	-	-	-	-
Accrued payroll and related	2,250	-	-	-	2,250
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,250</u>
FUND BALANCE:					
Unreserved	263,913	93,693	49,162	14,554	421,322
TOTAL FUND BALANCE	<u>263,913</u>	<u>93,693</u>	<u>49,162</u>	<u>14,554</u>	<u>421,322</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 266,163</u>	<u>\$ 93,693</u>	<u>\$ 49,162</u>	<u>\$ 14,554</u>	<u>\$ 423,572</u>

The accompanying notes are an integral part of these financial statements.

Township of Skandia, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2007

Total Fund Balances for Governmental Funds \$ 421,322

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds 120,341

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	43,377	
Bonds payable	<u>46,274</u>	
		<u>(89,651)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 452,012

The accompanying notes are an integral part of these financial statements.

Township of Skandia, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended March 31, 2007

	General Fund	Road Fund	Fire Fund	Non-Major First Responders Fund	Total Governmental Funds
REVENUES:					
Taxes	\$ 35,589	\$ 15,507	\$ 28,028	\$ 12,011	\$ 91,135
Licenses and permits	-	-	-	-	-
Federal sources	9,255	-	-	-	9,255
State sources	71,579	-	-	-	71,579
Charges for services	20,762	-	-	-	20,762
Interest	18,010	1,219	310	-	19,539
Other	22,001	1,276	627	298	24,202
TOTAL REVENUES	177,196	18,002	28,965	12,309	236,472
EXPENDITURES:					
Current operations:					
Legislative	25,215	-	-	-	25,215
General services and administration	49,446	-	-	-	49,446
Public safety	-	-	17,937	-	17,937
Public works	5,543	41,368	-	-	46,911
Health and welfare	-	-	-	14,819	14,819
Community and economic development	4,703	-	-	-	4,703
Recreation and culture	-	-	-	-	-
Other	41,673	-	-	-	41,673
Capital outlay	4,500	-	-	-	4,500
TOTAL EXPENDITURES	131,080	41,368	17,937	14,819	205,204
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	46,116	(23,366)	11,028	(2,510)	31,268
OTHER FINANCING SOURCES (USES):					
Transfers in	-	20,000	-	-	20,000
Transfers (out)	(20,000)	-	-	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	(20,000)	20,000	-	-	-
CHANGE IN FUND BALANCE	26,116	(3,366)	11,028	(2,510)	31,268
Fund balance, beginning of year	237,797	97,059	38,134	17,064	390,054
FUND BALANCE, END OF YEAR	\$ 263,913	\$ 93,693	\$ 49,162	\$ 14,554	\$ 421,322

The accompanying notes are an integral part of these financial statements.

Township of Skandia, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended March 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	31,268
---	-----------	---------------

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	4,500	
Depreciation expense	(7,812)	
Gain (loss) on disposal	<u>-</u>	
		(3,312)

Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.

43,228

Proceeds of borrowing are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.

(123,389)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (52,205)

The accompanying notes are an integral part of these financial statements.

Township of Skandia, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

March 31, 2007

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 14,134
Due from other funds	<u>-</u>
TOTAL ASSETS	<u><u>\$ 14,134</u></u>
LIABILITIES:	
Due to other funds	\$ 3,896
Due to others	<u>10,238</u>
TOTAL LIABILITIES	<u><u>\$ 14,134</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SKANDIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township of Skandia, Michigan have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

The Township of Skandia, Michigan's financial statements present the Township of Skandia, Michigan (the primary government). In evaluating the Township of Skandia, Michigan as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township of Skandia, Michigan may or may not be financially accountable and, as such, be includable within the financial statements.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Township of Skandia, Michigan's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township of Skandia, Michigan does not have any activity that is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township of Skandia, Michigan's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the Township of Skandia, Michigan as an entity and the change in the Township of Skandia, Michigan's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- ***General Fund*** – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- ***Road Fund*** – Road Fund is a Special Revenue Fund Type used to account for financial resources to be used for the expenditures related to road improvement.
- ***Fire Fund*** – Fire Fund is a Special Revenue Fund type used to account for financial resources to be used for the expenditures related to Fire protection services.
- ***First Responders Fund*** – First Responders Fund is a Special Revenue Fund Type used to account for financial resources to be used for the expenditures related to emergency management services.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Fund – Road Fund is a Special Revenue Fund Type used to account for financial resources to be used for the expenditures related to road improvement.

Fire Fund – Fire Fund is a Special Revenue Fund type used to account for financial resources to be used for the expenditures related to Fire protection services.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to March 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Skandia Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 2. The following considerations must be reviewed in determination of transfer approvals:
 - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the Township?
 - c. Will the transfer provide a reasonable solution to the departmental operating problem?

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- f. The Township of Skandia, Michigan adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

Cash Equivalents and Investments – For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	15 years
Building, structures and improvements	25-40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5-10 years
Infrastructure	20-50 years

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Long-Term Liabilities – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Compensated Absences – The Township accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Interfund Activity – Interfund activity is reported as either, loans, services provided reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of March 31, 2007, the Township of Skandia, Michigan's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and equivalents	\$389,644	\$14,134	\$403,778
Investments	-	-	-
	<u>\$389,644</u>	<u>\$14,134</u>	<u>\$403,778</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township of Skandia, Michigan's deposits may not be returned to it. State law does not require and the Township of Skandia, Michigan does not have a deposit policy for custodial credit risk. The carrying amounts of the Township of Skandia, Michigan's deposits with financial institutions were \$403,778 and the bank balance was \$426,940. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 372,080
Amount uncollateralized and uninsured	54,861
	<u>\$ 426,940</u>

Investments

As of March 31, 2007, the Township of Skandia, Michigan did not have any investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township of Skandia, Michigan's investments. The Township of Skandia, Michigan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Township of Skandia, Michigan to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Township of Skandia, Michigan has no investment policy that would further limit its investment choices. Ratings are not required for the Township of Skandia Michigan's investment in U.S. Government Agencies or equity-type funds. The Township of Skandia, Michigan's investments are in accordance with statutory authority.

Concentration of Credit Risk

The Township of Skandia, Michigan places no limit on the amount the Township of Skandia, Michigan may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE C – INTERFUND BALANCES:

A summary of interfund receivable and payables relating to tax collected by very yet to be disbursed are:

		DUE FROM OTHER FUNDS			
DUE TO OTHER FUNDS		General Fund	Fire Fund	First Responders Fund	Total
	Tax collection Fund	\$ 3,108	\$ 551	\$ 236	\$ 3,895
Total		\$ 3,108	\$ 551	\$ 236	\$ 3,895

NOTE D – INTERFUND TRANSFERS IN AND OUT:

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

		Transfer Out To Other Funds	
Transfer In From Other Funds		General Fund	Total Transfers In
	Fire Fund	\$ 24,844	\$ 24,844
Total Transfers Out		\$ 24,844	\$ 24,844

NOTE E – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, 2006	Additions	Disposals	Balance at March 31, 2007
GOVERNMENTAL ACTIVITIES:				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total Capital Assets, not being depreciated	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Buildings and improvements	228,151	-	-	228,151
Land improvements	-	-	-	-
Furniture and equipment	<u>6,041</u>	<u>4,500</u>	<u>-</u>	<u>10,541</u>
Total Capital Assets being depreciated	<u>234,192</u>	<u>4,500</u>	<u>-</u>	<u>238,692</u>
Less Accumulated Depreciation:				
Buildings and improvements	(106,706)	(5,704)	-	(112,410)
Land improvements	-	-	-	-
Furniture and equipment	<u>(4,833)</u>	<u>(2,108)</u>	<u>-</u>	<u>(6,941)</u>
Total Accumulated Depreciation	<u>(111,539)</u>	<u>(7,812)</u>	<u>-</u>	<u>(119,351)</u>
Governmental Activities Capital Assets, Net	<u>\$123,653</u>	<u>\$(3,312)</u>	<u>\$ -</u>	<u>\$ 120,341</u>

NOTE E – CAPITAL ASSETS (Continued):

A depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$ 7,812
Public Safety	-
Recreation and Culture	-
Total	<u>\$7,812</u>

NOTE F – LONG-TERM DEBT:Landfill Bonds

SCHEDULE OF MARQUETTE COUNTY LANDFILL BOND
March 31, 2007

	May		November	
	Principal	Interest	Interest	Total
2007	\$2,247	\$238	\$181	\$2,666
2008	2,447	180	67	2,694
2009	2,697	68	-	2,765
TOTALS	<u>\$7,391</u>	<u>\$486</u>	<u>\$248</u>	<u>\$8,125</u>

The Bonds originally issued for \$26,730 and dated September 11, 1991 mature annually as scheduled above and bears a variable interest rate.

Road Contract Payable

The Township entered into an agreement with the Road Commission to improve County Roads in the Township. The contract's total was \$123,390, with payment due in three installments in December of each year.

SCHEDULE OF ROAD CONTRACT PAYABLE
March 31, 2007

	May		
	Principal	Interest	Total
2007	\$41,130	\$4,524	\$45,654
2008	41,130	2,262	43,392
TOTALS	<u>\$82,260</u>	<u>\$6,786</u>	<u>\$89,046</u>

Changes in long-term debt principal during the period ended March 31, 2007 are summarized as follows:

	April 1, 2006	Additions	Subtractions	March 31, 2005
Governmental Activities:				
Road Improvement Contract	\$ -	\$123,389	\$41,130	\$82,260
<i>This debt represents the Township's share of the Bond to form the Joint Venture in the Marquette County Solid Waste Management Authority.</i>				
	<u>9,490</u>	<u>-</u>	<u>2,098</u>	<u>7,391</u>
Total Governmental Activities	<u>9,490</u>	<u>123,389</u>	<u>43,228</u>	<u>89,651</u>
 TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	 <u>\$9,490</u>	 <u>\$123,389</u>	 <u>\$43,228</u>	 <u>\$89,651</u>

NOTE G – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Local Governmental Unit 2006 ad valorem tax is levied and collectible on December 1, 2006, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2006 taxable valuation of the Local Governmental Unit totaled \$16,656,499, on which ad valorem taxes levied consisted of 1.2394 mills for the Local Governmental Unit operation purposes, 0.9610 mills for road improvements, 1.6494 mills for fire services and 0.7069 mills for first responders. These amounts are recognized in the General Fund, Road Fund, Fire Fund, and First Responders Fund financial statements as revenue.

NOTE H – CONTINGENT LIABILITIES:

Risk Management – The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE I – JOINT VENTURE:

In June 1988, Skandia Township joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who is the Chairperson of the board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other 6 Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

NOTE I – JOINT VENTURE (Continued):

The Township's share of assets, liabilities, and fund equity is approximately 10 percent. Summary financial information as of and for the fiscal year ended June 30, 2006, is as follows:

Total Assets	\$13,505,304
Total Liabilities	2,135,432
Total Equity	11,369,872
Total Operating Revenues	2,368,781
Total Operating Expenses	2,625,815
Net Income (loss)	(257,034)

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

NOTE J – DEFINED CONTRIBUTION PENSION PLAN:

The Township has a defined contribution retirement plan through Michigan Township Association, covering all elected and appointed officials, whom are at least 18 years of age. The Township's contributions for all funds amounted to \$1,405 for the year ended March 31, 2007.

The Township's share of the premium due under the policy is computed as 2% of total wages. Each plan participant is 100% vested upon entering the plan.

NOTE K – EXCESS EXPENDITURES OVER APPROPRIATIONS:

Public Act 621 of 1978, Section 18 (1), as amended, provides that a Township shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Townships actual expenditures and budgeted expenditures for the General Fund and Special Revenue Funds have been shown on a functional basis.

The approved budgets to the Township General and Special Revenue Funds were adopted on an activity and/or program level. During the year ended March 31, 2005, the Township incurred functional expenditures which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Final Amended Budget</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
General Services and Administration:			
Elections	\$3,623	\$8,257	\$4,634

**REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION**

Township of Skandia, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2007

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 24,829	\$ 32,758	\$ 35,589	\$ 2,831
Licenses and permits	-	-	-	-
Federal sources	-	-	9,255	9,255
State sources	80,521	72,592	71,579	(1,013)
Charges for services	20,900	20,900	20,762	(138)
Interest and rents	12,000	12,000	18,010	6,010
Other revenues	3,500	10,035	22,001	11,966
TOTAL REVENUES	141,750	148,285	177,196	28,911
EXPENDITURES:				
Legislative	18,175	27,123	25,215	1,908
General services and administration	54,850	58,563	53,946	4,617
Public safety	-	-	-	-
Public works	4,500	5,882	5,543	339
Community and economic development	4,760	4,783	4,703	80
Recreation and culture	-	-	-	-
Other	46,000	46,000	41,673	4,327
TOTAL EXPENDITURES	128,285	142,351	131,080	11,271
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13,465	5,934	46,116	40,182
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(20,000)	(20,000)	(20,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(20,000)	(20,000)	(20,000)	-
CHANGE IN FUND BALANCE	(6,535)	(14,066)	26,116	40,182
Fund balance, beginning of year	237,797	237,797	237,797	-
FUND BALANCE, END OF YEAR	\$ 231,262	\$ 223,731	\$ 263,913	\$ 40,182

Township of Skandia, Michigan

ROAD FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
REVENUES:				
Taxes	\$ 14,509	\$ 14,509	\$ 15,507	\$ 998
Licenses and permits	-	-	-	-
State sources	-	-	-	-
Charges for services	-	-	-	-
Interest	500	500	1,219	719
Other revenues	-	-	1,276	1,276
TOTAL REVENUES	15,009	15,009	18,002	2,993
EXPENDITURES:				
Legislative	-	-	-	-
Elections	-	-	-	-
General services and administration	-	-	-	-
Public safety	-	-	-	-
Public works	58,667	58,667	41,368	17,299
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	58,667	58,667	41,368	17,299
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	(43,658)	(43,658)	(23,366)	20,292
OTHER FINANCING SOURCES (USES):				
Transfers (in)	20,000	20,000	20,000	-
TOTAL OTHER FINANCING				
SOURCES (USES)	20,000	20,000	20,000	-
CHANGE IN FUND BALANCE	(23,658)	(23,658)	(3,366)	20,292
Fund balance, beginning of year	97,059	97,059	97,059	-
FUND BALANCE, END OF YEAR	\$ 73,401	\$ 73,401	\$ 93,693	\$ 20,292

Township of Skandia, Michigan

FIRE FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2007

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 25,706	\$ 25,706	\$ 28,028	\$ 2,322
Licenses and permits	-	-	-	-
State sources	-	-	-	-
Charges for services	-	-	-	-
Interest	100	100	310	210
Other revenues	-	-	627	627
TOTAL REVENUES	25,806	25,806	28,965	3,159
EXPENDITURES:				
Legislative	-	-	-	-
Elections	-	-	-	-
General services and administration	-	-	-	-
Public safety	36,370	36,370	17,937	18,433
Public works	-	-	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	36,370	36,370	17,937	18,433
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,564)	(10,564)	11,028	21,592
OTHER FINANCING SOURCES (USES):				
Transfers (in)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	(10,564)	(10,564)	11,028	21,592
Fund balance, beginning of year	38,134	38,134	38,134	-
FUND BALANCE, END OF YEAR	\$ 27,570	\$ 27,570	\$ 49,162	\$ 21,592

Other Supplemental Information

Township of Skandia, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 19,315	\$ 17,520	\$ (1,795)
Delinquent taxes	-	5,092	5,092
Commercial forest	1,338	1,038	(300)
Swamp tax	7,929	7,929	-
Collection fees	4,176	4,010	(166)
Total Taxes	<u>32,758</u>	<u>35,589</u>	<u>2,831</u>
Federal Sources:			
Grant revenue	-	9,255	9,255
Total Federal Sources	<u>-</u>	<u>9,255</u>	<u>9,255</u>
State Sources:			
Revenue sharing	72,592	71,579	(1,013)
Metro authority	-	-	-
Total State Sources	<u>72,592</u>	<u>71,579</u>	<u>(1,013)</u>
Charges for Services:			
Transfer station tickets	20,500	19,776	(724)
Miscellaneous	400	986	586
Total Charges for Services	<u>20,900</u>	<u>20,762</u>	<u>(138)</u>
Interest and Rents			
Interest	1,500	7,682	6,182
Rents	10,500	10,328	(172)
Total Interest and Rents	<u>12,000</u>	<u>18,010</u>	<u>6,010</u>
Other Revenues:			
Miscellaneous other	10,035	22,001	11,966
Total Other Revenues	<u>10,035</u>	<u>22,001</u>	<u>11,966</u>
TOTAL REVENUES	<u>148,285</u>	<u>177,196</u>	<u>28,911</u>

Township of Skandia, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2007

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	5,600	5,460	140
Supplies	2,700	3,430	(730)
Other services and charges	18,823	16,325	2,498
TOTAL LEGISLATIVE	<u>27,123</u>	<u>25,215</u>	<u>1,908</u>
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	6,850	6,600	250
Other services and charges	-	-	-
Total Supervisor	<u>6,850</u>	<u>6,600</u>	<u>250</u>
Elections:			
Personnel services	2,373	2,210	163
Supplies	800	989	(189)
Other services and charges	300	558	(258)
Capital outlay	150	4,500	(4,350)
Total Election	<u>3,623</u>	<u>8,257</u>	<u>(4,634)</u>
Assessor:			
Personnel services	4,238	4,213	25
Supplies	-	-	-
Other services and charges	-	25	(25)
Total Assessor	<u>4,238</u>	<u>4,238</u>	<u>-</u>
Clerk:			
Personnel services	9,141	9,141	-
Other services and charges	-	-	-
Total Clerk	<u>9,141</u>	<u>9,141</u>	<u>-</u>
Board of Review:			
Personnel services	500	469	31
Other services and charges	150	-	150
Total Board of Review	<u>650</u>	<u>469</u>	<u>181</u>
Treasurer:			
Personnel services	9,075	9,075	-
Supplies	-	-	-
Other services and charges	2,536	2,536	-
Total Treasurer	<u>11,611</u>	<u>11,611</u>	<u>-</u>

Township of Skandia, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2007

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Township Hall and Grounds:			
Personnel services	\$ 2,000	\$ 1,391	\$ 609
Supplies	600	334	266
Other services and charges	14,350	11,556	2,794
Equipment	5,500	349	5,151
Total Township Hall and Grounds	<u>22,450</u>	<u>13,630</u>	<u>8,820</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>58,563</u>	<u>53,946</u>	<u>4,617</u>
PUBLIC WORKS:			
Streetlights:			
Other services and charges	2,300	2,063	237
Total Streetlights	<u>2,300</u>	<u>2,063</u>	<u>237</u>
Garbage Collection:			
Other services and charges	1,382	1,382	-
Debt service	2,200	2,098	102
Total Garbage Collection	<u>3,582</u>	<u>3,480</u>	<u>102</u>
TOTAL PUBLIC WORKS	<u>5,882</u>	<u>5,543</u>	<u>339</u>
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Zoning:			
Personnel services	3,370	3,370	-
Supplies	-	-	-
Other services and charges	163	163	-
Total Refuse Collection	<u>3,533</u>	<u>3,533</u>	<u>-</u>
Planning Commission:			
Personnel services	1,000	1,170	(170)
Supplies	-	-	-
Other services and charges	250	-	250
Total Planning Commission	<u>1,250</u>	<u>1,170</u>	<u>80</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>4,783</u>	<u>4,703</u>	<u>80</u>

Township of Skandia, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
OTHER:			
Joint operating expense	\$ 36,000	\$ 41,673	\$ (5,673)
Miscellaneous	10,000	-	10,000
TOTAL OTHER	<u>46,000</u>	<u>41,673</u>	<u>4,327</u>
TOTAL EXPENDITURES	<u>142,351</u>	<u>131,080</u>	<u>11,271</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>5,934</u>	 <u>46,116</u>	 <u>40,182</u>
OTHER FINANCING SOURCES (USES):			
Transfers (Out):			
Transfers out	(20,000)	(20,000)	-
Total Transfers (Out)	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
 CHANGE IN FUND BALANCE	 (14,066)	26,116	40,182
Fund balance, beginning of year	<u>237,797</u>	<u>237,797</u>	<u>-</u>
 FUND BALANCE, END OF YEAR	 <u><u>\$ 223,731</u></u>	 <u><u>\$ 263,913</u></u>	 <u><u>\$ 40,182</u></u>

Township of Skandia, Michigan

MAJOR GOVERNMENTAL FUNDS

ROAD FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2007

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Taxes:			
Current levy	\$ 14,509	\$ 13,160	\$ (1,349)
Delinquent taxes	-	2,347	2,347
Commercial forest	-	-	-
National forest	-	-	-
Total Taxes	<u>14,509</u>	<u>15,507</u>	<u>998</u>
Other Revenues:			
Interest	500	1,219	719
Miscellaneous	-	1,276	1,276
Total Other Revenues	<u>500</u>	<u>2,495</u>	<u>1,995</u>
TOTAL REVENUES	<u>15,009</u>	<u>18,002</u>	<u>2,993</u>
EXPENDITURES:			
Road:			
Other services and charges	58,667	41,368	17,299
Total Refuse Collection	<u>58,667</u>	<u>41,368</u>	<u>17,299</u>
TOTAL PUBLIC WORKS	<u>58,667</u>	<u>41,368</u>	<u>17,299</u>
TOTAL EXPENDITURES	<u>58,667</u>	<u>41,368</u>	<u>17,299</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(43,658)</u>	<u>(23,366)</u>	<u>20,292</u>
OTHER FINANCING SOURCES (USES):			
Transfers (In):			
General Fund	20,000	20,000	-
Total Transfers (In)	<u>20,000</u>	<u>20,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,000</u>	<u>20,000</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(23,658)</u>	<u>(3,366)</u>	<u>20,292</u>
Fund balance, beginning of year	<u>97,059</u>	<u>97,059</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 73,401</u></u>	<u><u>\$ 93,693</u></u>	<u><u>\$ 20,292</u></u>

Township of Skandia, Michigan

MAJOR GOVERNMENTAL FUNDS

FIRE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 25,706	\$ 23,318	\$ (2,388)
Delinquent taxes	-	4,159	4,159
Commercial forest	-	551	551
Total Taxes	<u>25,706</u>	<u>28,028</u>	<u>2,322</u>
Other Revenues:			
Interest	100	310	210
Miscellaneous	-	627	627
Total Other Revenues	<u>100</u>	<u>937</u>	<u>837</u>
TOTAL REVENUES	<u>25,806</u>	<u>28,965</u>	<u>3,159</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	36,370	17,937	18,433
Total Expenditures	<u>36,370</u>	<u>17,937</u>	<u>18,433</u>
TOTAL EXPENDITURES	<u>36,370</u>	<u>17,937</u>	<u>18,433</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,564)</u>	<u>11,028</u>	<u>21,592</u>
OTHER FINANCING SOURCES (USES):			
Transfers (In):			
General Fund	-	-	-
Total Transfers (In)	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(10,564)</u>	<u>11,028</u>	<u>21,592</u>
Fund balance, beginning of year	<u>38,134</u>	<u>38,134</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 27,570</u>	<u>\$ 49,162</u>	<u>\$ 21,592</u>

Township of Skandia, Michigan

NON-MAJOR GOVERNMENTAL FUNDS

FIRST RESPONDERS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 11,017	\$ 9,993	\$ (1,024)
Delinquent taxes	-	1,782	1,782
Commercial forest	-	236	236
Total Taxes	<u>11,017</u>	<u>12,011</u>	<u>994</u>
Other Revenue:			
Interest	50	83	33
Miscellaneous	-	215	215
Total Other Revenues	<u>50</u>	<u>298</u>	<u>248</u>
TOTAL REVENUES	<u>11,067</u>	<u>12,309</u>	<u>1,242</u>
EXPENDITURES:			
Public Safety			
Other charges and services	<u>23,380</u>	<u>14,819</u>	<u>8,561</u>
TOTAL EXPENDITURES	<u>23,380</u>	<u>14,819</u>	<u>8,561</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(12,313)</u>	<u>(2,510)</u>	<u>9,803</u>
OTHER FINANCING SOURCES (USES):			
Transfers:			
Transfers In			
Transfers (Out)	-	-	-
Total Transfers	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(12,313)</u>	<u>(2,510)</u>	<u>9,803</u>
Fund balance, beginning of year	<u>17,064</u>	<u>17,064</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,751</u>	<u>\$ 14,554</u>	<u>\$ 9,803</u>

Township of Skandia, Michigan

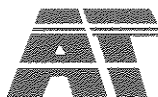
FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

March 31, 2007

	<u>Tax Collection Fund</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 14,134	\$ 14,134
Due from other funds	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 14,134</u>	<u>\$ 14,134</u>
LIABILITIES		
Due to other funds	\$ 3,896	\$ 3,896
Due to others	<u>10,238</u>	<u>10,238</u>
TOTAL LIABILITIES	<u>\$ 14,134</u>	<u>\$ 14,134</u>

Compliance Supplements



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Supervisor and Township Board of Trustees
Township of Skandia, Michigan
PO Box 48
Skandia, Michigan 49885

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Skandia, Michigan as of and for the year ended March 31, 2007, and have issued our report thereon dated September 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Skandia, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Skandia, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Skandia, Michigan's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Skandia, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Skandia, Michigan's financial that is more than inconsequential will not be prevented or detected by the Township of Skandia, Michigan's internal control. We consider the deficiencies described in the accompanying report to management to be significant deficiencies in internal control over financial reporting as item 07-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Skandia, Michigan's internal control.

To the Supervisor and Township Board of Trustees
Township of Skandia, Michigan

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Skandia, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and are described in the accompanying report to management as item 07-02.

This report is intended solely for the information and use of management, the audit committee, Township Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Jackman & Company, PLLC
Certified Public Accountants

September 18, 2007



Township of Skandia, Michigan
Report to Management Letter
For the Year Ended March 31, 2007

Honorable Supervisor and Members of
the Township Board of Trustees
Township of Skandia, Michigan
P.O. Box 48
Skandia, MI 49885

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Skandia, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Skandia, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Skandia, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Skandia, Michigan's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Honorable Supervisor and Members of
the Township Board of Trustees
Township of Skandia, Michigan

07-01 – FINANCIAL REPORTING CYCLE

Condition/Criteria: The monthly and year end financial reporting package as presented to the Board of Trustees is not fully compliant with generally accepted accounting principles. The general ledger is not recording all accruals at year end.

Effect: Because not all of the accruals are being record in the general ledger until after the audit, the financial statements are not compliant with generally accepted accounting principles.

Cause of Condition: Failure to record all accruals in the general ledger.

Recommendation: We suggest that monthly and at year end, all accruals are recorded in the general ledger.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Marilyn Keto, Clerk
- Corrective Action Planned:
 - The Township is planning on starting to record accruals on a monthly basis in the coming fiscal year.
- Anticipated Completion Date:
 - March 31, 2008

INSTANCE OF NON-COMPLIANCE

07-02 – UNIFORM BUDGETING AND ACCOUNTING ACT (PA621) (REPEATED)

Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that local governmental units shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township of Skandia, Michigan had actual expenditures and budgeted expenditures for the General Fund and Special Revenue Funds have been shown on a functional basis. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended March 31, 2007, the Township of Skandia, Michigan incurred functional expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Effect: The Township of Skandia, Michigan is not in compliance with State Law.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The Township of Skandia, Michigan should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Honorable Supervisor and Members of
the Township Board of Trustees
Township of Skandia, Michigan

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Marilyn Keto, Clerk
- Corrective Action Planned:
 - The budget will be more closely monitored and budget amendments will be made accordingly.
- Anticipated Completion Date:
 - March 31, 2008

This communication is intended solely for the information and use of the management, audit committee, Township of Skandia, Michigan Board of Trustees, and others within the organization, and is not intended to be and should not be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Township of Skandia, Michigan's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLC
Certified Public Accountants

September 18, 2007



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

September 18, 2007

To the Honorable Supervisor and
Members of the Township Board of Trustees
Township of Skandia, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Skandia, Michigan for the year ended March 31, 2007, and have issued our report thereon dated September 18, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated April 23, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Township of Skandia, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Township of Skandia, Michigan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Skandia, Michigan are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006-2007. We noted no transactions entered into by Township of Skandia, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Skandia, Michigan's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of Skandia, Michigan, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of Skandia, Michigan's financial reporting process.

To the Honorable Supervisor and
Members of the Township Board of Trustees
Township of Skandia, Michigan

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Skandia, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. This information is intended solely for the use of the Board Trustees and management of the Township of Skandia, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tackman & Company, PLLC
Certified Public Accountants